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British Airways To Sell Low-Fare Unit

British Airways will sell its low-fare subsidiary Go for \$153 million, reasoning that the unit doesn't fit with the carrier's traditional full-service strategy, which focuses on business travelers.

Go's buyer is the venture capital firm 3i. GO CEO Barbara Cassani said the carrier will increase its fleet of 737s to 18 from 13 this year. She said the low-fare carrier has built a strong business following in its three years of existence.

S&P Affirms BAA Ratings, Outlook Negative

Standard & Poor's affirmed its ratings on U.K.-based international airport system operator BAA PLC and guaranteed subsidiary World Duty Free Americas. The outlook is negative.

S&P said the ratings reflect BAA's above-average business position as the owner and operator of a U.K.-based international airport company that has a growing core business as the result of increasing passenger demand for air travel. In addition, BAA's strong financial position supports the rating

through a combination of its stable cash flows and low gearing, the ratings firm noted.

Despite strong traffic, S&P said BAA has an extensive future capital expenditure program currently valued at more than \$8.52 billion, which includes the possibility of constructing a fifth terminal (T5) at Heathrow at a cost of more than \$2.82 billion. The final decision on the construction of T5 will occur during 2001 and is key to the future business and financial position of the company, S&P said. This project would require careful management by BAA, which has previously demonstrated good project management. The final decision on T5 will be taken into account by BAA's regulator, the Civil Aviation Authority, in determining its price cap regime for the five-year period from April 2003.

Boeing Issues Aviation Forecast Covering Next 20 Years

Boeing released its 2001 Current Market Outlook (CMO), forecasting a \$4.7 trillion market for new commercial airplanes and aviation services over the next 20 years.

"The shift from a regulated to liberalized market has increased competition among airlines and is forcing them to operate at much higher levels of efficiency to remain profitable," said Randy Baseler, the aircraft manufacturer's vice president of marketing. "Passenger preference for more frequent nonstop flights with shorter trip times will continue to drive market evolution and airline strategies," he predicted.

Boeing estimates the world fleet will double to almost 33,000 jets by 2020, comprising almost 18,400 new airplanes for market growth; 5,100 airplanes for replacement; and the more than 9,500 airplanes that currently are flying. The

mix of current and new airplanes is expected to accommodate a forecast of 4.7 percent growth in world air travel, plus 6.4 percent growth in the cargo segment. Regional growth varies between 3.1 and 7.7 percent, with Latin America expected to be the fastest growing market.

Boeing projects airlines will invest \$1.7 trillion in new commercial airplanes, which equates to 23,500 airplane deliveries over the next 20 years. Of that total:

- 18 percent (or 4,200 deliveries) will be for smaller regional jets (below 90 seats);
- 56 percent (or 13,300 deliveries) will be for larger regional jets and single-aisle airplanes;
- 21 percent (or 4,900 deliveries) will be for intermediate-size airplanes, and
- 5 percent (or about 1,100 deliveries) will be for 747 and larger size airplanes

The 2001 forecast does not include Boeing's recently announced plans for a sonic cruiser, although company executives forecast a market for several thousand of the airplane. The company said it would amend the CMO once further engineering work on the sonic cruiser is completed.

Raytheon To Provide ATC System To Abu Dhabi

Raytheon announced that the Department of Civil Aviation (DCA) of the Emirate of Abu Dhabi provided a letter of intent to award Raytheon a contract estimated at \$30 million to supply and install air traffic control systems for Abu Dhabi and Al Ain airports.

Raytheon will supply AutoTrac II air traffic management systems along with air surveillance long-range radar; secondary surveillance radar; surface movement radar and an air traffic control simulator. All civil works and voice communication systems are included.

Upcoming Events

Sept. 30-Oct. 3...Dubrovnik, Croatia
International Airports and Tourism
Development Workshop

Oct. 14-16...London, England
European Airport Risk Management and
Liability Insurance Workshop

Nov. 4-7...Salzburg, Austria
7th Annual Central Europe/U.S. Aviation
Infrastructure/Safety Workshop and
Trade Show

AutoTrac integrates radar and flight plan data and displays the most accurate information to air traffic controllers in a logical, easy-to-read manner.

Under a contract awarded late last year, Raytheon is providing a monopulse secondary surveillance radar (MSSR) to the DCA. More recently, Raytheon provided an MSSR to the United Arab Emirates (UAE) General Civil Aviation Authority (GCAA).

Raytheon's air traffic management facilities in the United States, Canada and the United Kingdom will work in partnership with the Abu Dhabi DCA in completing the program.

Iceland's Keflavik Airport Upgrades Security System

Visionics Corp., a leader in identification technologies and systems, announced that Keflavik International Airport in Iceland has begun the upgrade of its CCTV system with Facelt surveillance software. The Facelt technology automatically matches travelers against a known watchlist.

The upgrade coincides with the completion of a new terminal building, specifically designed to handle passengers entering Iceland from within the European Union. The Keflavik Airport Authority donated the system to the Keflavik Airport Police in recognition of the opening of the new terminal and the system is due to come online in the next few weeks.

The Facelt system is part of a security initiative that resulted from Iceland joining the European Schengen Agreement. The Schengen Agreement, signed by member and associate countries of the European Union, is designed to facilitate faster travel between those countries. Passengers flying between these countries are now leaving from domestic rather than international airport terminals, eliminating the need to present travel documents when entering or leaving.

Disease Outbreak, Economy Blamed For Traffic Decline

International passenger traffic on 29 major European airlines is down 0.2 percent in the first four months of the

year, the Association of European Airlines (AEA) reported.

Traffic losses on longhaul routes to North America were down 4.1 percent from a year ago while traffic on flights to Asia and Australia decreased 4.9 percent.

The slowdown in the U.S. economy is responsible for the dropoff in U.S. to Europe traffic, the AEA explained. The foot-and-mouth outbreak in Britain and in other parts of Europe were also to blame for empty seats.

Air Canada Lauds Promise Of New Airports Act

Air Canada said that it commends Transport Minister David Collenette on his announcement of an airport rent review and the plan to develop a new Airports Act.

"We welcome the minister's initiatives, which will address our concerns on key issues such as governance and rent policy," said Peter Donolo, senior vice president, corporate affairs and government relations. "A new Airport Act, which will provide a framework to address issues such as airport roles, responsibilities and accountability, will be instrumental in building an enhanced working relationship between airport authorities and users such as ourselves," he stated. "In particular, we see a rent review as a positive process to limit the growth of airport rents in the future, and commend the minister for recognizing that the current rent formula is not sustainable," he added.

Since the privatization of Canadian airports, Air Canada said it has seen a significant increase in airport landing fees, terminal fees and exclusive rents.

AOM, Air Liberte File For Bankruptcy

A French court gave airlines AOM and Air Liberte three months to resolve the financial problems that caused the two carriers to file for bankruptcy.

The airlines are owned by Swissair Group and French investment group Marine-Wendel. AOM and Air Liberte's major assets are the takeoff and landing slots they hold at Paris Orly, where slots are in demand.

AOM and Air Liberte faced growing

competition from Air France and the French high-speed train system.

In related news, Moody's Investors downgraded the long-term issuer rating of Swissair Group to Ba3 from Baa3 and the short-term rating to Not-Prime from Prime-3. The rating action reflects the potential for significantly higher exit costs at the partner airlines in France (Air Littoral, AOM, Air Liberte) and in Belgium (Sabena). Moody's said it acknowledges Swissair's determination to resolve the situation rapidly as promised. The rating downgrade is also based on increased pressure on Swissair's core operations due to high fuel costs and the impact of an economic downturn on the airlines and the airline related businesses such as catering.

Although Swissair's flag carrier status is factored into the ratings, Moody's noted that so far there has been no indication of tangible support by the Swiss government and that the room for direct subsidies is limited through Switzerland's relationship with the EU.

Air Canada To Deploy Internet Service On All Aircraft

Tenzing Communications Inc., a global Internet service provider, announced that it will deploy its inflight e-mail and Web service across the entire Air Canada fleet of aircraft.

INTERNATIONAL AIRPORT REPORT

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From November 2000 to May 2001, Air Canada participated in the first-ever commercial airline passenger trial of inflight e-mail and Web content and decided to implement the program fleet-wide. The Tenzing system is installed on five aircraft used for the trial and will be rolled out across the remaining aircraft during 2002. The Air Canada fleet consists of more than 200 aircraft.

Qantas To Launch Sydney-Melbourne Express Service

Qantas will launch a new express service on its busiest route, Sydney-Melbourne, offering flights every 30 minutes—on the hour and half-hour—from Monday to Friday, starting in July.

Qantas Executive General Manager-Marketing Denis Adams said the new CityFlyer service would offer customers more seats and more flights on the route than any other airline. The carrier also will offer dedicated ground services to streamline the airport process for business travelers.

Boeing Offers ATC Reform Proposal To European Airports

Boeing Co. officials at the recent Paris Air Show discussed how an air traffic control reform proposal the company recently unveiled in the U.S. could apply to European airports as well.

"The future of our core business—building and selling jetliners—is tied to the future of air traffic systems," said John Hayhurst, Boeing senior vice president and president of Air Traffic Management. "So we have a vested interest. But more importantly, we believe there's an achievable solution that provides greater safety, capacity and affordability, plus fewer delays."

The Boeing proposal initially focuses on the U.S. air traffic system but will incorporate requirements for global applications. The concept features "trajectories," offering the ability to locate aircraft and predict where they will be with much higher precision and further into the future than ever before. This capability will be enhanced by an advanced system of satellites that for the first time integrates communications, navigation and surveillance or tracking

data. The satellite system will augment existing Global Positioning System satellites and will enable the largest improvements to the air traffic system.

"Extremely precise trajectory data could help air traffic controllers manage with much greater efficiency the congested airspace near busy airports, such as Charles de Gaulle, Frankfurt or Heathrow," Hayhurst said. "There's no question that Europe's 33-plus air traffic systems present a different set of challenges, but the requirements for increased capacity, enhanced safety and fewer delays are the same as those of the United States."

The Boeing concept would allow all air traffic system participants to have access to the same data, improving collaboration, negotiation and strategic planning. Air traffic controllers will have powerful tools and significantly better data to safely manage more traffic in larger sectors.

In the United States, the Boeing concept could be implemented in coordination with the Federal Aviation Administration's modernization plans to create capacity for more than 15 years of traffic growth, Hayhurst said.

Canada 3000 Posts Record Revenue, Income For 2001

Canada 3000, Canada's second largest scheduled airline, announced record revenue and net income for both the fourth quarter and for the year ended April 30, 2001.

Revenue for the year ended April 30 was \$963.7 million, an increase of 28 percent over revenue of \$753.6 million in the same period last year. Net income for the year was \$18.1 million, up 89 percent, or \$ 8.5 million from \$9.6 million the prior year.

The net profit for the three months ended April 30 was \$6.1 million, an improvement of 57 percent from \$3.9 million a year ago.

Angus Kinneer, president of Canada 3000 stated that, "We are very pleased with the results achieved in both the fourth quarter and for the entire fiscal year, given the environment we were operating in. The year saw significant cost pressures from high fuel prices and a weak Canadian dollar. Revenue was negatively

impacted in the quarter from industry overcapacity in eastern Canada before the acquisition of Canjet and Royal."

European Carriers Object To Proposals On Slot Regulation

The Association of European Airlines (AEA) is criticizing the latest proposals from the European Commission (EC) to amend the 1993 airport slot regulation. The AEA issued a statement saying the EC "has reneged on a promise made last year to limit this stage of the legislative process to technical matters."

The airlines said they agree that the functioning of the old regulation has revealed technical weaknesses that need to be addressed, for example, the lack of an effective enforcement mechanism.

The EC, however, said the regulation has failed in the fulfillment of its original policy objectives, which in 1993 were described as at least three competitors on every major route.

AEA Secretary General Karl-Heinz Neumeister said, "The slot regulation is not an appropriate instrument to pursue what is in any case a questionable policy. Scarce slots redistributed between 20 competitors rather than four does not generate more competition, merely wasteful duplication."

"The EC agreed with the airlines in 2000 that market access aspects of the slots issue would be subject to a comprehensive impact study and industry consultations. Their latest proposals, however, go far beyond technical revision and contain a number of market-related elements that continue to follow the same policy path," Neumeister said.

In particular, Neumeister said, an attempt to redefine a slot prejudices the entire question of the nature of the rights of airlines with respect to the slots that they hold. There is also redefinition of a new entrant, which could exclude airlines which, while doing business on their own account, are also operating in partnership with major carriers, he said.

These and other proposals would have a combined effect that would be very negative, reducing the flexibility of the existing slot allocation system, affecting the operations of the AEA airlines and undermining their competitive position, the AEA said.

News From Around The World

Delta Air Lines and Air Jamaica announced they will institute codeshare service between Boston and Montego Bay, Jamaica, beginning July 15 on Air Jamaica's nonstop Airbus A-320 flights.

Korean Air officially joined Air France and Delta Air Lines as a founding member of a cargo joint venture, to be launched later this year.

Aerolineas Argentinas filed for bankruptcy protection June 21 after it failed to resolve long-running disputes with labor unions over a restructuring plan. "The board of directors deeply regrets reaching this situation due to the uncompromising attitude of two unions that have put at real risk the continuity of employment," the airline's board of directors said.

Continental Airlines announced it will inaugurate daily nonstop 767 flights between Houston and Amsterdam, effective May 1, 2002, subject to government approval. Separately, Continental and Transbrasil announced that they have formed a broad strategic marketing alliance. This new partnership will include code sharing on each other's flights and reciprocal frequent flyer benefits on both Continental and Transbrasil's flights network-wide.

Oslo's Gardermoen Airport may have to be closed in the winter due to demands for clean groundwater, according to an announcement. The problems are caused by the environmental demands for usage of deicing chemicals. The airport said it is not possible to operate the airport without using the chemicals and there is no way to avoid some chemical leakage from time to time.

Forty out of 45 airports in Norway are not profitable according to a new report. The problem facing the Norwegian Civil Aviation Authority in balancing its finances is that most of the regional airports aren't profitable. According to the figures for last year, only five airports show positive results. These are Flesland, Sola, Vaernes, Bodo and Kjevik. The aviation authority reportedly relies on the Flesland, Sola

and Vaernes airports financially while the Bodo and Kjevik airports are closer to breaking even.

US Airways will begin daily nonstop roundtrip service between Barbados and its Philadelphia hub beginning Nov. 3, 2001, subject to Barbados government approval.

Orlando Sanford (Fla.) International Airport will be the new home for Aeropostal's nonstop service from Caracas, Venezuela. Aeropostal has served Orlando since 1998 but will relocate to Orlando Sanford on Thursday, July 12. This service will be Orlando Sanford's first scheduled service to Latin America. Aeropostal is Venezuela's largest carrier to the U.S. with service to Miami and Orlando.

The Greater Toronto Airports Authority announced that it has completed an issue of \$500 million principal amount of 30-year Medium Term Notes. The issue, which represents a new series, maturing in June 2031, was oversubscribed. Proceeds of the offering will be allocated towards the funding of the Airport Development Program, including continued construction in connection with a new terminal building, a new parking garage, roadway, runway and taxiway improvements and access to the infield area for ancillary aviation facilities.

The Egyptian Government has awarded Sharm El Sheikh Airport to an investor group led by ABB Equity Ventures. The government privatized this airport so that investors could build a new terminal to accommodate increased traffic. The new airport is scheduled to be operational in March 2004 and involves investments amounting to \$170 million. The new terminal will be designed to serve 4.5 million passengers annually.

Grupo Aeroportuario del Sureste, S.A. de C.V., the operator of nine airports in the southeastern region of Mexico, announced that it has awarded the airport advertising concession to a consortium of the French and Mexican advertising companies, JCDcaux and UDC. The contract will cover all nine ASUR airports, including the company's three

largest, Cancun, Cozumel and Merida airports, as well as the airports of Veracruz, Villahermosa, Oaxaca, Huatulco, Tapachula and Minatitlan. The concession was awarded following a bidding process launched in February 2001. The eight-year contract, which will start in September 2001, covers all advertising units at the nine airports. These include external units outside the airports (billboards, clock advertising and light-boxes), as well as exhibition areas, furniture advertising, clocks, trolleys and events in the public areas inside the terminal.

ABB announced that it has started construction of the R270-million Kruger Mpumalanga International Airport, 25 kilometers outside Nelspruit, South Africa. The airport will be built, operated and owned by ABB through its specialist airport management company, Primkop Airport Management. The company said that it expects the airport to be fully operational in the second half of 2002. The local Mbuyane community, which previously owned the land, has a 10 percent stake in the airport.

Flight West, the largest regional carrier in Queensland, Australia, has sought bankruptcy protection. Flight West served 34 destinations in Queensland, the Northern Territory, NSW and Norfolk Island with a fleet of 16 aircraft. The airline, headquartered at Eagle Farm in Brisbane, has been operating in the increasingly competitive domestic market.

Amsterdam Airport increased takeoff and landing fees, effective June 2. The Schiphol Group said it increased fees by an average 3.5 percent to offset infrastructure investments and inflation costs.

Singapore Airport Terminal Services Limited is allowing nine airlines operating out of Changi's Terminal 1 to offer telephone, fax and Internet check-in options. The nine airlines are Air China, Air Niugini, China Eastern Airlines, China Southern Airlines, EgyptAir, EVA Air, Pakistan International Airlines, United Airlines and Vietnam Airlines.